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SUBJECT: MONITORING VISIT TO KY SON PHASE II PROJECT

REF: 01 Hanoi 3262

11. (SBU) SUMMARY. Much to the relief of district officials and following extensive delays, the UNODC-funded Ky Son Phase II is up and running. Agriculture and livestock models -- the focus of the USG assistance to this project -- are being implemented in a number of communes dispersed around the district. The selection process for those benefiting from the project is unclear, however. The inventory control system currently in place is also not an effective management tool. UNODC is aware of these problems and is attempting to address them, a process complicated by the new national project execution. Septel will report on developments in and around the district's Nam Can border crossing. END SUMMARY.

12. (U) At the invitation of the United Nations Office of Drugs and Crime (UNODC -- formerly UNDCP), poloff and pol FSN visited Ky Son district in Nghe An Province April 21 - 24. (Embassy very much appreciates INL funding for this travel.) Ky Son, which borders Laos, is one of the poorest districts in one of Vietnam's poorest provinces. It is about a 10-hour drive from Hanoi. Ky Son's population is about 60,000, nearly all ethnic minorities (mainly Hmong and Kho Mu). Until 1993, approximately 1,000 hectares of opium poppy were grown in the district. Cultivation has been essentially eliminated in Ky Son except in a few remote locations. However, according to UNODC, there is "anecdotal evidence" that local Ky Son farmers are cultivating opium on the Lao side of the border for consumption and sale in Vietnam.

13. (U) The visit included meetings with provincial and district authorities as well as observation of about 10 separate crop substitution and alternative development activities in four different communes located in various areas of Ky Son district. Activities visited included raising livestock (pigs) and "black" chickens as well as cultivating fruit trees (peach and plums), mushrooms, tea, terrace rice, and hybrid Chinese (flatland) rice. Some activities were continuations of those begun under Phase I, which finished in February 2001; others are new under Phase II. Officially titled "Capacity Building for Alternative Development to replace Opium Poppy Cultivation," the project was scheduled to begin January 2002. Actual project implementation began in July 2002 (see paras 7 and 8 for reasons for this delay).

DISTRICT SUPPORT

14. (U) At Mung Xem, the Ky Son district capital, People's Committee Chairman Mua No Tu stated that the people in his district had "benefited greatly" from the project and "are happy" that, after a long delay, Phase II was up and running. He expected Phase II would be "as successful as Phase I." Implementing Phase II meant that UNODC and the donor community were "still committed" to making the area free from opium poppy cultivation, he noted. However, he lamented that a "small amount" of poppy recultivation had occurred this past year in a remote area in the southwestern part of the district, but claimed that authorities had "quickly eradicated it." Other communes were "very much looking forward" to new project activities, he added. Tu said that at a project review meeting among all relevant parties scheduled for "sometime" in May in Hanoi, the district and authorities from the Ministry of Agriculture and Rural Development (MARD) plan to ask for a project extension (with no additional funds) because to the "late start" for implementation.

15. (U) According to Nguyen Xuan Phuong, the Phase II onsite project manager, Phase II will implement project models in 16 of Ky Son's 20 communes. According to UNODC's technical advisor, Per Vogel, this is "very ambitious," considering the logistics involved and the weak infrastructure in most parts of the district. However, if the project is indeed extended, it would be possible to reach more communes, he predicted.

LESS UNODC CONTROL - SUBSEQUENT DELAYS

16. (U) According to Vogel, a key feature of Phase II is that the GVN assumed management control for most of the project's components. The major exception is in the area of personnel and administration, which is essentially Vogel's responsibility. Vogel, a former UNODC program officer, was also involved with Phase I. Under Phase II, he is a contract employee based in Hanoi. He said that he travels to Ky Son "about two or three times" per quarter.

17. (SBU) The GVN's request to change the project's modality to national project execution ("NEX") came as a "surprise" to UNODC and made the original project document "somewhat obsolete," according to Vogel. As a result of this request, it was impossible to transition quickly from Phase I and "some momentum" was lost, he admitted. In addition, MARD's national project director insisted on hiring an onsite project manager whom he knew personally. The appointment was a "disaster," Vogel claimed. Firing and replacing the national project manager also cost "a few months," he admitted. Vogel said that he was unsure why the request to change to NEX came up so suddenly, but he opined that national authorities "might have looked" at UNDP, where he claimed most projects are NEX. (Note: An NGO source who has worked in the Ky Son area told poloff on April 25 that UNDP is "reevaluating NEX" in light of implementation and accountability problems on "several projects." End Note.)

18. (SBU) Another issue delaying implementation involved the hiring of "specialists" tasked with acting as advisors to villages for the various components of the project. The pool of applicants was greatly reduced, according to Vogel, because UNODC required the candidates to have a high level of English. Several of the specialists hired in May 2002 have underperformed, according to Vogel; when their contracts expire in May, they will not be renewed. Vogel concluded that that the English language requirement was "unrealistic." Previously, UNODC required specialists to write their reports in English; that will no longer be the case -- specialists under the new contract will write their reports in Vietnamese and the reports will then be translated into English by the project's Hanoi office.

SELECTION PROCESS PROBLEMS

19. (U) Most of the households poloffs visited appeared to have some sort of official connection that resulted in their participation in the project. Many were vague about exactly how they were selected (e.g., "officials contacted me"). A few said that they had previously received benefits from Phase I; those appeared relatively prosperous.

110. (U) At Huoi Tu commune, about 10 miles northeast of Mung Xem, poloffs visited a tea nursery model supported by the project. The objective of the model is to introduce a higher-quality tea in the region. He could not say how many or which family households would eventually benefit from the project.

111. (U) In Tac Ca commune, about five miles west of Mung Xem, poloffs visited a newly installed pigsty. The household had received cement from the project to build the sty, as well as several sows. The person in charge of the pigs admitted that he did "knew very little" about pigs but that his son, the village chief, had asked him to look after them. In Hui Kiem commune, about six miles southeast of Mung Xem, the project is assisting a woman to grow mushrooms. She said that while she had been helped with a similar project in Phase I, that crop had "failed." Subsequently, she reapplied and "the authorities decided to help me again." Subsequently, the woman admitted that she was the chairperson of the commune farmers' association.

112. (U) In Muong Long commune, about 20 miles northeast of Mung Xem, poloffs visited a relatively prosperous three hectare farm that consisted of plum and peach trees, a few other crops such as corn, and a well-tended chicken coop. The farmer said that he had received tree graftings from neighbors who had originally received peach trees (imported from Australia and France) during Phase I. He said that he was "looking forward" to receiving more trees in Phase II. Project manager Phuong explained that this household had "shown much initiative" during Phase I and proved that that project could be successful with an individual who had once grown poppy on his land. Therefore, "authorities" decided he should receive additional assistance under Phase II. Phuong also claimed that the project wanted to implement project models among households that had a "good chance to succeed."

113. (SBU) In Huu Kiem commune, about 7 miles southeast of Mung Xem, poloffs visited a relatively large complex containing several fishponds, a pigsty, a chicken coop, and

crops, including corn and vegetables. While these activities were not project-supported, the farmer said that he was "expecting" the project to provide new fish for the fish ponds. The farmer said that he had recently moved to the complex and had agreed to make rent payments totaling VND 14 million (about USD 980) for the next year to the district Agriculture and Forestry department to use the property. He had also recently purchased 65 sows for about VND 500,000 each (about USD 35). The farmer said he was expecting to receive fish from the project to stock the ponds. When asked how he managed to pay the rent and buy the livestock, he replied "through my savings." (Comment: In a poor area such as this one, having sufficient savings to pay rent and buy livestock from savings would seem highly unlikely. End Comment.) Subsequent questioning revealed that the "tenant" was the head of the local farmer's union. Vogel said that based on what he had seen at this site, he would inform the project management that funds should go to someone more in need because this individual already appeared well-established and the farmer appeared to be benefiting from official connections. He speculated that the capital might have come (at least indirectly) from other donors active in the district.

14. (SBU) Subsequent to the field visits, Vogel admitted that the selection process "was not working the way I would like." He lamented that his ability to influence the process was "limited" due to NEX and the need for him to spend the majority of his time in Hanoi. Despite a district-wide "needs assessment" carried out during the early stages of Phase II implementation as well as provisions for participatory selection, he agreed that the selection process "left much to be desired in terms of transparency." Vogel lamented that based on his observations during the field visit, it appeared that the authorities "were not paying much attention" to the criteria for participation. He said he would meet with officials to try to push for a more balanced approach; however, he cautioned that NEX limits his influence in the process.

INVENTORY CONTROLS - NOT A CLEAR PICTURE

15. (U) According to project manager Phuong, normally there is not much expendable equipment around the UNODC project house. As project material comes in, it is generally moved out to the project areas quickly. The current inventory system is not a "living document" - despite Vogel's requests, the project secretary (who is responsible for inventory control) had not updated the list for nearly a year. A spot check of a few items showed some discrepancies between on hand counts and the inventory. The motorpool supply area was supposed to have 29 Toyota filters for various UNODC vehicles according to the inventory, but there were only 19 on hand when the secretary counted. Eventually, he was able to account for them through "stock-in" and "stock-out" forms, but this required about an hour's work with the files. Similarly, we counted 316 hydro generators stored in three locations. These were not even inventoried because they were "too new," according to the secretary. After scouring several files, he was able to

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account for 300 of the generators through various receipts. The secretary claimed the remaining 16 had been returned to the vendor for various reasons, but he could not produce documentation to support this claim.

16. (U) On the non-expendable side, inventory documents indicated about 20 Minsk motorbikes were intended for project-related activities in the district. However, the inventory listed their locations as "communes." Since there are 180 villages in 20 communes scattered around Ky Son district, this did not provide a very precise location. No project officials could say with certainty where these motorbikes were located or how they were being used. At an outbrief on April 23, Vogel and project manager Phuong pledged that they would update the inventory, keep it current, and endeavor to account for non-expendable property during field visits.

17. (U) Subsequent to our visit, UNODC provided a summary copy of the outside auditor's report for calendar year 2002. The report recommended that, "project management should enhance control and monitoring over the project's non-expendable property."

COMMENT

18. (SBU) Officials and the local population appear committed to fighting drugs and very pleased that Phase II is being implemented. By all appearances, Phase I helped contribute both to the virtual elimination of opium poppy cultivation and to a general increase in the standard of

living in parts of the district. Theoretically, UNODC's checks and balances in NEX should provide assurances that project implementation will proceed according to plan; however, questions remain regarding the transparency of project participation and accountability for project material, issues about which UNODC is now even more clearly aware and attempting to address.

BURGHARDT